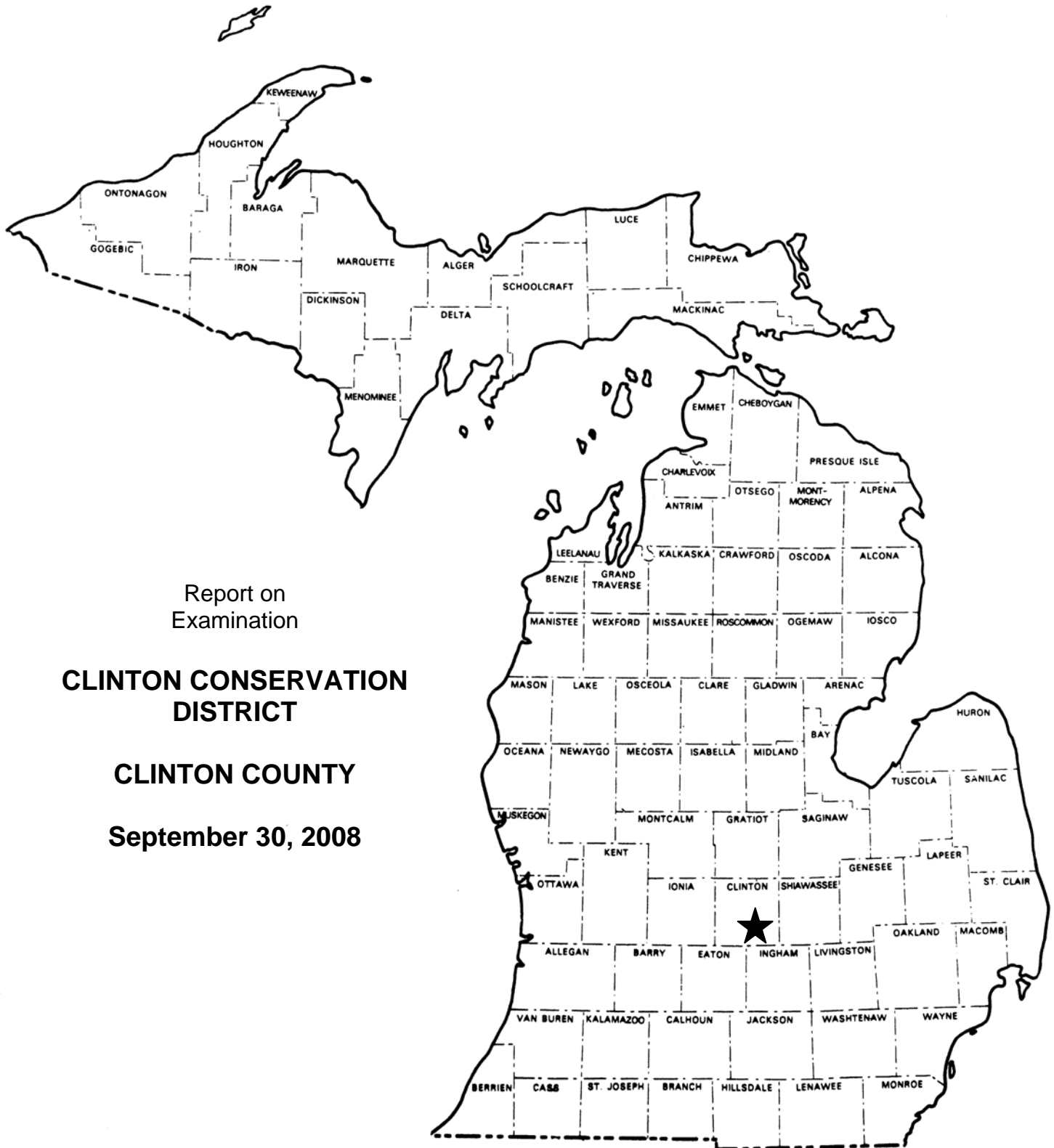


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination

**CLINTON CONSERVATION  
DISTRICT**

**CLINTON COUNTY**

**September 30, 2008**

CLINTON CONSERVATION DISTRICT

BOARD OF DIRECTORS

Ken Halfman  
Chairperson

Jim Graham  
Vice Chairperson

Bill Lasher  
Treasurer

Gloria Miller  
Member

Eric Buhr  
Member

Gary Fritz  
Executive Director



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

October 23, 2008

Board of Directors  
Clinton Conservation District  
2343 North US-27  
St. Johns, Michigan 48879

Independent Auditor's Report

Dear Directors:

We have audited the accompanying basic financial statements of the governmental activities of the Clinton Conservation District, St. Johns, Michigan, as of and for the year ended September 30, 2008, as listed in the Table of Contents. These financial statements are the responsibility of the Clinton Conservation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Clinton Conservation District, as of September 30, 2008, and the changes in financial position and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2008, on our consideration of the Clinton Conservation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clinton Conservation District's basic financial statements. The accompanying supplementary and related information presented as Exhibits D and E has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# CLINTON CONSERVATION DISTRICT

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# CLINTON CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

The Clinton Conservation District's (Conservation District) Management Discussion and Analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Conservation District's financial activity; c) identify changes in the Conservation District's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Conservation District.

- The government-wide financial statements are included in Exhibits A and B and provide both long-term and short-term information about the Conservation District's overall financial status. These statements report information about the Conservation District, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Conservation District's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on the general operating fund, reporting the operation in more detail than the government-wide statements.

### Reporting the Conservation District as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Conservation District, as a whole, and about its activities in a way that helps answer the question of whether the Conservation District, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the Conservation District's net assets and the changes in them. The reader can think of the Conservation District's net assets (the difference between assets and liabilities) as one way to measure the Conservation District's financial health or financial position. Over time, increases and decreases in the Conservation District's net assets are one indicator of whether its financial health is improving or deteriorating.

# CLINTON CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Reporting the Conservation District's Major Fund

The financial statements begin on page six and provide detailed information about the major fund. The Conservation District has only one fund, the General Operations Fund, in which all of the Conservation District's activities are accounted. The General Operations Fund is a governmental type fund.

Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Conservation District's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Conservation District's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

### The Conservation District as a Whole

The Clinton Conservation District's financial position has improved during the 2008 fiscal year. The improvement can be attributed to funding received from the Filter Mound 319 Grant, the Upper Looking Glass 319 Project, CTAI Program, CIG Program and extra revenues received from Clinton County. The Conservation District's net assets for the governmental funds increased \$2,719 from a year ago for the governmental activities. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2007	Governmental Activities 2008	Difference	Percent
Other Assets	\$ 174,290	\$ 176,990	\$ 2,700	2%
Capital Assets	2,208	1,577	(631)	-29%
Total Assets	176,498	178,567	2,069	1%
Other Liabilities	16,171	12,436	(3,735)	-23%
Long-Term Liabilities	2,712	5,797	3,085	114%
Total Liabilities	18,883	18,233	(650)	-3%
Net Assets				
Investment in Capital Assets				
Net of Related Debt	2,208	1,577	(631)	-29%
Restricted	8,537	9,172	635	7%
Unrestricted (Deficit)	146,870	149,585	2,715	2%
Total Net Assets	\$ 157,615	\$ 160,334	\$ 2,719	2%

# CLINTON CONSERVATION DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

All of the Conservation District's operations are considered one fund. The District holds money in its bank account for the Progressive Farmers Club. This organization, formerly known as the No-Till Club, is an informal association of people who wish to inform and educate each other, as well as the general public on items important to them in the field of agriculture. The Conservation District acts as the fiduciary for funds collected by the group and is the mechanism by which any expenses they have are paid. The Club approves its own expenses and submits them for payment by the Conservation District on the Club's behalf. Revenue is receipted through the Conservation District, but is sometimes receipted through the MSU-Extension Office. Occasionally, expenses are netted against the amount remitted by the MSU-Extension Office to the Conservation District. The Progressive Farmers Club may withdraw its money held by the Conservation District at any time. Expenses are for educational purposes.

The Conservation District's Michigan Groundwater Stewardship Program Cost Share Assistance Grant allows carry-over of funds from one year to the next. Michigan Department of Agriculture has established new guidance that restricts these carry-over funds to the same uses as originally allowed.

### Changes in Net Assets

Revenue was affected by changes in product demand due to tree sales. Also, as noted above, revenues were affected by the Conservation District receiving additional grant funding and contributions from Clinton County. Expenses increased due to the board's decision to increase Conservation District activities.

A summary of changes in net assets for the year ended September 30, 2008, follows:

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 68,462	\$ 65,773	\$ (2,689)	-4%
Operating Grants and Contributions	272,281	257,915	(14,366)	-5%
General Revenues				
Unrestricted Investment Earnings	<u>7,262</u>	<u>3,908</u>	<u>(3,354)</u>	<u>-46%</u>
Total Revenues	<u>348,005</u>	<u>327,596</u>	<u>(20,409)</u>	<u>-6%</u>
Program Expenses				
Other General Government				
Soil Conservation Operations	<u>340,746</u>	<u>324,877</u>	<u>(15,869)</u>	<u>-5%</u>
Total Expenses	<u>340,746</u>	<u>324,877</u>	<u>(15,869)</u>	<u>-5%</u>
Change in Net Assets	<u>\$ 7,259</u>	<u>\$ 2,719</u>	<u>\$ (4,540)</u>	<u>-63%</u>



CLINTON CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Conservation District's Fund

The Conservation District's General Operations Fund is used to control the expenditures of grant monies which are earmarked by law for the conservation of natural resources of the State, including soil, water, farmland, and other natural resources. It also provides for the control and prevention of soil erosion to conserve the natural resources of the State.

For the year ended September 30, 2008, the fund balance of the General Operations Fund increased by \$6,435, as compared to an increase of \$6,423 in the fund balance for the year ended September 30, 2007. Total operating revenues were \$327,596, a decrease of \$20,409 as compared to prior fiscal year, which was primarily the result of a decrease in operating grants and contributions.

Total expenditures of \$321,161 equaled a decrease of \$20,421, as compared to the prior year. The change in expenditures was primarily the result of a decrease in wages for the closing of a grant.

Budgetary Highlights

Prior to the beginning of any year, the Conservation District's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Conservation District's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews all expenditures throughout the year.

The Conservation District's original expenditures were projected at \$383,000, while actual expenditures were \$321,161. The final amended budget for expenditures was \$308,400. Actual expenditures were over the final budget by \$12,761. This was primarily due to the expenditures for the CTAI and Maple River 319 Grants having a reduction made to the original budget and expending more funds on other grants than the final budgeted amounts during the year.

Capital Assets and Debt Administration

The Conservation District's only capital asset is a photocopier that was purchased in 2006 in the amount of \$3,155 and incurred accumulative depreciation in the amount of \$947 as of the end of fiscal year 2007. Depreciation expense amounted to \$631 in fiscal year 2008. Net capital asset in the amount of \$1,577 is shown on the government-wide financial statements. Nothing else owned by the Conservation District meets the \$2,500 threshold adopted by the board for capitalization of capital assets. There were no commitments for capital expenditures during fiscal year 2008. There are also no known changes to credit rating or debt limitations.

CLINTON CONSERVATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budget

The Conservation District's financial position is tied to the State's economy. Most of the Conservation District's funding, State and Federal, is received through the Michigan Department of Agriculture. Some of this is dependent on the State's financial condition. In addition, county funds and tree sale receipts are also affected by the economy. All of these revenue sources are at risk until the economy rebounds. The Conservation District has received continued funding for CTAI, CIG, and MAEAP Programs, and a new 319 Grant for the Upper Maple River Watershed Plan that began during the year, which brings additional revenues into the Conservation District. The Conservation District is well-positioned to obtain future grants and anticipates the District's financial position will remain strong.

The board realizes, and the reader should understand that there are not sufficient funds available to consult with every land owner in Clinton County; therefore, the board attempts to spend the public's money wisely and equitably and in the best interest of the land owners and the citizens of Clinton County.

Contacting the Conservation District's Financial Management

This financial report is designed to provide the land owners, citizens and other interested parties a general overview of the Conservation District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Conservation District for Clinton County administrative offices at: 2343 North US-27, St. Johns, Michigan 48837. Phone: (989) 224-3720, extension 114.

**CLINTON CONSERVATION DISTRICT  
GOVERNMENTAL FUND BALANCE SHEET  
AND STATEMENT OF NET ASSETS  
September 30, 2008**

**EXHIBIT A**

	Modified Accrual Basis	Adjustments	Statement of Net Assets
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 109,097		\$109,097
Due From State	67,893		67,893
Capital Assets (Net of Accumulated Depreciation)		\$ 1,577	1,577
Total Assets	\$ 176,990	\$ 1,577	\$178,567
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable	\$ 9		\$ 9
Accrued Wages Payable	5,287		5,287
Payroll Liabilities	2,929		2,929
Sales Tax Payable	265		265
Deferred Revenue--Tree Sales	3,946		3,946
Long-Term Liabilities			
Compensated Absences		\$ 5,797	5,797
Total Liabilities	12,436	5,797	18,233
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance			
Reserved for			
Progressive Farmers	3,342	(3,342)	-
Forestry Assistance	5,830	(5,830)	-
Unreserved/Undesignated	155,382	(155,382)	-
Total Fund Equities	164,554	(164,554)	-
Total Liabilities and Fund Balance	\$ 176,990	(160,334)	-
Net Assets			
Investment in Capital Assets			
Net of Related Debt		1,577	1,577
Restricted for			
Grant Programs		5,830	5,830
Other Purposes		3,342	3,342
Unrestricted		149,585	149,585
Total Net Assets		\$ 160,334	\$160,334

**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON CONSERVATION DISTRICT  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
September 30, 2008**

**EXHIBIT A-1**

Fund Balance	\$164,554
--------------	-----------

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

Add--Capital Assets	3,155
Deduct--Accumulated Depreciation	<u>(1,578)</u>

Net Capital Asset Addition	<u>1,577</u>
----------------------------	--------------

Certain liabilities, such as compensated absences, are not due and  
payable in the current period. Therefore, they are not reported  
in the fund's statement.

Deduct--Compensated Absences and Other Long-Term Liabilities	<u>(5,797)</u>
--	----------------

Net Assets of Governmental Activities	<u><u>\$160,334</u></u>
---------------------------------------	-------------------------

**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON CONSERVATION DISTRICT**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE,**  
**EXPENDITURES AND CHANGE IN FUND BALANCE**  
**AND STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2008**

**EXHIBIT B**

	Modified Accrual Basis	Adjustments	Statement of Net Activities
Revenue			
Federal Grants	\$ 216,836		\$216,836
State Grants	13,665		13,665
Contributions From Local Units of Government	22,000		22,000
Charges for Services	65,773		65,773
Interest and Rents	3,908		3,908
Other Revenues	5,414		5,414
Total Revenue	327,596	\$ -	327,596
Expenditures			
Other General Government	321,161	3,716	324,877
Total Expenditures	321,161	3,716	324,877
Excess of Revenue Over (Under) Expenditures	6,435		
Change in Net Assets		(3,716)	2,719
Fund Balance/Net Assets--Beginning of Year	158,119	(504)	157,615
Fund Balance/Net Assets--End of Year	\$ 164,554	\$ (4,220)	\$ 160,334

**The Notes to Financial Statements are an integral part of this statement.**

**CLINTON CONSERVATION DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2008**

**EXHIBIT B-1**

Net Change in Fund Balance	\$ 6,435
----------------------------	----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Deduct--Depreciation Expense	(631)
------------------------------	-------

Reduction of compensated absences has no effect on the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Deduct--Additions to Long-Term Liabilities for Compensated Absences	<u>(3,085)</u>
---	----------------

Change in Net Assets of Governmental Activities	<u><u>\$ 2,719</u></u>
---	------------------------

**The Notes to Financial Statements are an integral part of this statement.**

## CLINTON CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--DESCRIPTION OF DISTRICT OPERATIONS AND FUND TYPES

The accounting policies of the Clinton Conservation District (District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Clinton Conservation District:

##### Reporting Entity

Clinton Conservation District is located in Clinton County and provides services to approximately 60,000 residents in many conservation areas. Clinton Conservation District is governed by a five member board. The District board consists of the chair, vice-chair, secretary/treasurer and two directors whom reside in the community.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the records of the District. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Accordingly, there are no other governmental units that are required to be included in the financial statements.

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF PRESENTATION

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of Clinton Conservation District. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the District's assets and liabilities with the difference being reported as: invested in capital assets-net of related debt, restricted, and/or unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

# CLINTON CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fund Financial Statements--General Operating Fund

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. This fund is used to account for all financial transactions of the District. Revenues are primarily derived from grants, county appropriation, tree sales and donations. The fund includes the general operating expenditures of the district.

#### Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods or services or privileges provided; 2) Michigan Department of Agriculture Grants, other State/Federal grants, and county contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

#### Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Department of Agriculture Grants, other State and Federal grants, charges for services, contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.



## CLINTON CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value, when obtained.

##### Accounts Receivable

At September 30, 2008, the accounts receivable for the District was \$0.

##### Due from State of Michigan

At September 30, 2008, the District had due from the State of Michigan \$67,893 which represents amounts due for various State and Federal grants that passed through the Michigan Department of Agriculture and Michigan Department of Environmental Quality.

##### Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

##### Deferred Revenue

Deferred revenue is recorded in connection with revenue that has been received, but not yet earned.

##### Capital Assets

Capital assets, which include property, plant and equipment (there are no infrastructure assets), are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of \$2,500 that have a useful life of more than one year. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Purchases for equipment that have an original cost of less than the capitalization threshold, but more than \$1,000, are recorded and inventoried for operational control and insurance purposes, but not capitalized or depreciated.

## CLINTON CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Depreciation

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Machinery and Equipment	5 to 10 years
Office Equipment and Furniture	5 to 10 years
Computer Hardware	5 years

In determining the useful life, the District takes into consideration: quality, application or use, and environmental conditions.

##### Compensated Absences (Vacation and Sick Leave)

It is the District's policy to permit employees to accumulate unused sick and vacation pay benefits. Upon termination of employment through retirement or death, vacation pay is payable at 100%, not to exceed 120 hours for full-time employees. Only 80 hours of accrued vacation may be carried over into the subsequent fiscal year. Any accrued sick leave is forfeited upon termination of employment. All vacation pay is accrued when incurred in the government-wide fund financial statements.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgets and Budgetary Accounting

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended (MCL 141.421), which requires the board to approve a budget for the District. Pursuant to the Act, the board's chief administrative officer prepares and submits a proposed operating budget to the board for its review and consideration. The board of directors conducts a public budget hearing and subsequently adopts an operating budget. The budget is adopted at the activity level and control is exercised at the activity level. The District's Board monitors and amends the budgets as necessary. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect revenues and expenditures for the fund.

# CLINTON CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The budget revenues and expenditures for the general operating fund, as presented in Exhibit C, include any authorized amendments to the original budget as adopted.

#### Budget Violation

Public Act 2 of 1968, as amended, requires the legislative body to adopt a general appropriations act for the budget of the General Fund. The act also requires that amendments be approved as needed to prevent actual expenditures from exceeding those provided for in the General Appropriations Act.

The following activities exceeded the final amended budget:

<u>Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Forestry Assistance Program	\$ 10,000	\$ 12,280	\$ (2,280)
CTAI Program	54,000	57,036	(3,036)
CIG Program	30,000	32,226	(2,226)
Upper Looking Glass 319 Grant	19,500	19,553	(53)
Maple River 319 Grant	47,300	57,058	(9,758)
Tree Sales	33,000	34,039	(1,039)

#### Adoption of Automated Clearing House Policy (ACH)

According to Michigan Compiled Laws (MCL) 124.303: "A local unit shall not be a party to an Automated Clearing House (ACH) arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the Electronic Transaction Officer (ETO) of the local unit has presented a written ACH policy to the governing body."

Clinton Conservation District electronically transfers funds for payroll withholdings and receives direct deposits without legal authority. Credit card transactions are automatically deposited to the district's bank account.

# CLINTON CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

### NOTE D--CASH AND INVESTMENTS

MCL 129.91 authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The District has adopted a written investment policy in accordance with the requirements of Public Act 20 of 1943, as amended. However, the policy is not compliant with GASB Statement No. 40. The District's deposits are in accordance with statutory authority. The District Board has designated one bank for the deposit of District funds.

At year end, the District's cash and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash on Hand	\$ 100
Certificates of Deposit	11,061
Cash and Cash Equivalents	<u>97,936</u>
Total	<u>\$ 109,097</u>

The bank balance of the primary government's deposits is \$123,112, of which \$100,000 is covered by Federal depository insurance. On October 23, 2008, the FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

### Investments Authorized by the District's Investment Policy

The District's investment policy only authorizes investment in all those that are authorized by law. The District has limited their investments to certificates of deposit that may extend beyond one year. The District has a written formal investment policy. However, it does not conform to GASB Statement No. 40. Therefore, management has not addressed their exposure to interest rate risk, credit risk, and concentration of credit risk as required by GASB Statement No. 40.

## CLINTON CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE D--CASH AND INVESTMENTS (Continued)

##### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has not addressed interest rate risk.

##### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Long-term certificates of deposit do not have a rating provided by a nationally recognized statistical rating organization. The District has not addressed concentration of credit risk.

##### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the District's formal investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits. The District has not addressed custodial credit risk.

#### NOTE E--DEFERRED COMPENSATION PLAN

The Clinton Conservation District Board of Directors offers all employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457, with Comprehensive Financial Services, Inc. The assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the District's financial statements.

## CLINTON CONSERVATION DISTRICT

## NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Following is a summary of the changes in the capital assets:

	Account Balances 10/01/07	Additions	Deductions	Account Balances 09/30/08
Capital Assets Being Depreciated				
Office Equipment	<u>\$ 3,155</u>	<u>          </u>	<u>          </u>	<u>\$ 3,155</u>
Total	<u>3,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,155</u>
Less Accumulated Depreciation				
Office Equipment	<u>947</u>	<u>631</u>	<u>          </u>	<u>1,578</u>
Total	<u>947</u>	<u>631</u>	<u>-</u>	<u>1,578</u>
Net Capital Assets Being Depreciated	<u>2,208</u>	<u>-</u>	<u>631</u>	<u>1,577</u>
Total Net Capital Assets	<u><u>\$ 2,208</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 631</u></u>	<u><u>\$ 1,577</u></u>

NOTE G--LONG-TERM DEBT

The long-term debt of the Conservation District may be summarized as follows:

	Balance 10/01/07	Additions (Reduction)	Balance 09/30/08	Due Within One Year
Vested Employee Benefits				
Vacation (Annual Leave)	<u>\$ 2,712</u>	<u>\$ 3,085</u>	<u>\$ 5,797</u>	<u>          </u>
Total	<u><u>\$ 2,712</u></u>	<u><u>\$ 3,085</u></u>	<u><u>\$ 5,797</u></u>	<u><u>\$ -</u></u>

Vested Employee Benefits

Vacation (annual leave) is earned in varying amounts depending on the number of years of service of an employee. Vacation is earned after six months of employment in increments of one hour for every 20 hours worked. No annual leave may be earned or used until the completion of six months of employment. Annual leave may be carried over to the next calendar year as determined by the length of the employee's service time. From six months to five years, up to 80 hours may be carried over to the next year. After more than five years of service time, an employee may carry over to the next calendar year up to 120 hours of annual leave time.

## CLINTON CONSERVATION DISTRICT

### NOTES TO FINANCIAL STATEMENTS

#### NOTE G--LONG-TERM DEBT (Continued)

Effective 180 days after the beginning of employment, employees may accrue 4 hours sick leave per 80 regular hours paid and may accrue up to 240 hours (6 weeks). All full-time employees and full-time grant employees are eligible to receive paid sick leave. Part-time employees who work 20 hours per week or more are eligible for paid sick leave on a prorated basis in accordance with their normal work schedule. Any accrued sick leave is forfeited upon termination of employment.

All District employees are eligible for compensatory time in-lieu-of overtime, if approved in advance by the executive director. Compensatory time can not be accumulated in excess of 24 hours and is forfeited upon termination of employment.

Upon termination of employment through retirement or death, vacation pay is payable at 100%, not to exceed 120 hours.

#### NOTE H--RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including workers' compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

**CLINTON CONSERVATION DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL OPERATING FUND  
For the Year Ended September 30, 2008**

**EXHIBIT C**

<b>GENERAL OPERATING FUND</b>				
	Orginal Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Federal Grants	\$261,500	\$201,506	\$216,836	\$ 15,330
State Grants	31,500	13,605	13,665	60
Contributions From Local Units of Government	22,000	22,000	22,000	-
Charges for Services	66,500	70,382	65,773	(4,609)
Interest and Rents	8,000	5,184	3,908	(1,276)
Other	-	-	5,414	5,414
Total Revenue	389,500	312,677	327,596	14,919
Expenditures				
Other General Government				
Soil Conservation Operations				
District Operations	53,800	58,000	54,108	3,892
Groundwater Stewardship	4,000	600	578	22
Forestry Assistance Program	24,500	10,000	12,280	(2,280)
MAEAP Program	35,700	32,000	30,709	1,291
CTAI Program	60,000	54,000	57,036	(3,036)
CIG Program	24,500	30,000	32,226	(2,226)
Filter Mound 319 Grant	22,000	23,000	22,604	396
Upper Looking Glass 319 Grant	12,000	19,500	19,553	(53)
Maple River 319 Grant	110,000	47,300	57,058	(9,758)
Tree Sales Revenue	35,000	33,000	34,039	(1,039)
Progressive Farmer Expenses	1,500	1,000	970	30
Total Expenditures	383,000	308,400	321,161	(12,761)
Excess of Revenues Over (Under) Expenditures	6,500	4,277	6,435	2,158
Fund Balance--October 1, 2007	158,119	158,119	158,119	-
Fund Balance--September 30, 2008	\$164,619	\$162,396	\$164,554	\$ 2,158

**The Notes to Financial Statements are an integral part of the statement.**



**CLINTON CONSERVATION DISTRICT**  
**SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL--GENERAL OPERATING FUND**  
**For the Year Ended September 30, 2008**

**EXHIBIT D**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Federal Grants				
MAEAP			\$ 27,500	
Filter Mound			23,190	
Section 319--Upper Looking Glass Project			19,556	
Section 319--Maple River			58,059	
CTAI Program			58,531	
CIG Program			30,000	
Total Federal Grants	\$ 261,500	\$ 201,506	216,836	\$ 15,330
State Grants	31,500	13,605		60
MDA--Operations			11,605	
Groundwater Program			2,000	
Cost Share Revenue			60	
Total State Grants	31,500	13,605	13,665	60
Contributions From Local Units of Government				
Clinton County	22,000	22,000	22,000	-
Total Local Units of Government	22,000	22,000	22,000	-
Charges for Services				
District Operations Charges for Services	3,000	4,238	4,063	(175)
Forestry Donations	3,500	10,144	2,500	(7,644)
Forestry Miscellaneous	-	-	2,589	2,589
Meeting Revenue	-	-	167	167
Miscellaneous Revenue	-	-	312	312
Tree Sales Revenue	60,000	56,000	56,142	142
Total Charges for Services	66,500	70,382	65,773	(4,609)
Interest and Rents				
Interest Earned	8,000	5,184	3,908	(1,276)
Total Interest and Rents	8,000	5,184	3,908	(1,276)
Other				
Donations and Contributions			1,610	1,610
Progressive Farmers			2,004	2,004
Miscellaneous Income			1,800	1,800
Total Other	-	-	5,414	5,414
Total Revenues	\$ 389,500	\$ 312,677	\$ 327,596	\$ 14,919

**CLINTON CONSERVATION DISTRICT**  
**SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL--GENERAL OPERATING FUND**  
**For the Year Ended September 30, 2008**

**EXHIBIT E**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
General Government				
District Operations	\$ 53,800	\$ 58,000		\$ 3,892
Personal Services			\$ 37,992	
Supplies			820	
Other Services and Charges			15,296	
Groundwater Stewardship	4,000	600		22
Other Services and Charges			578	
Forestry Assistance Program	24,500	10,000		(2,280)
Personal Services			9,386	
Supplies			1,668	
Other Services and Charges			1,226	
MAEAP Program	35,700	32,000		1,291
Personal Services			28,553	
Supplies			100	
Other Services and Charges			2,056	
CTAI Program	60,000	54,000		(3,036)
Personal Services			54,172	
Supplies			271	
Other Services and Charges			2,593	
CIG Program	24,500	30,000		(2,226)
Personal Services			29,823	
Supplies			192	
Other Services and Charges			2,211	
Filter Mound 319 Grant	22,000	23,000		396
Personal Services			4,135	
Supplies			7,118	
Other Services and Charges			11,351	
Upper Looking Glass 319 Grant	12,000	19,500		(53)
Personal Services			487	
Supplies			3	
Other Services and Charges			19,063	
Maple River 319 Grant	110,000	47,300		(9,758)
Personal Services			13,488	
Supplies			12	
Other Services and Charges			43,558	
Tree Sales	35,000	33,000		(1,039)
Personal Services			3,957	
Supplies			25,384	
Other Services and Charges			4,698	
Progressive Farmer Expenses	1,500	1,000		30
Other Services and Charges			970	
Total General Government	383,000	308,400	321,161	(12,761)
Total Expenditures	\$383,000	\$ 308,400	\$321,161	\$(12,761)



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

October 23, 2008

Board of Directors  
Clinton Conservation District  
2343 North US-27  
St. Johns, Michigan 48879

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of the Financial Statements Performed in Accordance With  
Government Auditing Standards

Dear Directors:

We have audited the financial statements of the Clinton Conservation District (District), Clinton County, Michigan, as of and for the year ended September 30, 2008, and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we did believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as Findings 2006-1 and 2006-2.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information of the Clinton Conservation District Board of Directors, management and others within the Conservation District, State and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

October 23, 2008

Board of Directors  
Clinton Conservation District  
2343 North US-27  
St. Johns, Michigan 48879

RE: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, and the major fund information of Clinton Conservation District for the year ended September 30, 2008, and have issued our report thereon dated October 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in the engagement letter dated October 25, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Clinton Conservation District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Clinton Conservation District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 20, 2008.

### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Clinton Conservation District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending September 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2008.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Conclusion

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the remaining recommendations feel free to contact us.

This information is intended solely for the use of Clinton Conservation District Board of Commissioners and management of Clinton Conservation District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

## CLINTON CONSERVATION DISTRICT

### SCHEDULE OF FINDINGS AND RESPONSES

#### OTHER MATTERS

Although the following are not considered significant deficiencies in internal control, we wish to point out certain other matters for consideration by the management of Clinton Conservation District.

##### Investment Policy

*Finding 2006-1*

*Condition:* As noted in our prior audits, as of September 30, 2008, the board of directors has adopted a formal investment policy that complies with Public Act 20 of 1943, as amended. However, the policy has not been updated to take into consideration GASB Statement No. 40 reporting requirements.

*Criteria:* According to Public Act 20 of 1943, as amended, a formal investment policy is to be adopted by the board no later than August 31, 1998. GASB Statement No. 40 added additional requirements related to deposit and investment risk which should be incorporated into the policy. GASB Statement No. 40 became effective for financial periods beginning after June 15, 2004.

*Recommendation:* We recommend that the investment policy be updated in accordance with State statute and include reporting requirements as recommended by GASB Statement No. 40. We provided the Conservation District with a sample investment policy at the exit conference which may be used in updating the current policy.

*Management Response:* The Conservation District will modify the current policy to be in compliance with GASB Statement No. 40.

#### NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instance of noncompliance with State statutes.

##### Electronic Transactions of Public Funds

*Finding 2006-2*

*Condition:* As noted in the prior audits, the Conservation District electronically transfers funds for payroll withholdings and receives direct deposits without legal authority.

*Criteria:* According to MCL 124.303: "A local unit shall not be a party to an Automated Clearing House (ACH) arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the Electronic Transaction Officer (ETO) of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:



## CLINTON CONSERVATION DISTRICT

### SCHEDULE OF FINDINGS AND RESPONSES

#### NONCOMPLIANCE WITH STATE STATUTES (Continued)

- (a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy.
- (b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit.
- (c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit.
- (d) The approval of ACH invoices before payment.
- (e) Any other matters the treasurer or ETO considers necessary.”

*Recommendation:* Again, we recommend that the Conservation District board adopt a resolution to authorize electronic transactions that includes the above mentioned items, as required by the statute.

*Management Response:* The Conservation District will adopt a policy for electronic transactions in accordance with the statutes.